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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

AUG 06 2001

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

DOCKETED BY

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IN THE MATTER OF THE APPLICATION OF
UNITED SERVICES TELEPHONE, LLC FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE COMPETITIVE
RESOLD INTEREXCHANGE
TELECOMMUNICATIONS SERVICES, EXCEPT
LOCAL EXCHANGE SERVICES

DOCKET NO. T-03439A-97-0505

DECISION NO. 63902ORDER

Open Meeting
July 24 and 25, 2001
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On September 17, 1997, United Services Telephone, LLC ("Applicant" or "United") filed with Docket Control of the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive resold interexchange telecommunications services, except local exchange services, within the State of Arizona.

2. Applicant is a Tennessee corporation, authorized to do business in Arizona since 1997.

3. Applicant is a switchless reseller, which purchases telecommunications services from a variety of carriers.

4. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunications providers ("resellers") were public service corporations subject to the jurisdiction of the Commission.

5. On November 21, 2000, the Commission's Utilities Division Staff ("Staff") filed a Staff Report in this matter recommending denial of the application due to United's failure to respond

1 to data requests.

2 6. Thereafter, United contacted Staff and indicated that they had recently had an address
3 change and had not received any requests for information from Staff.

4 7. On March 13, 2001, after receiving additional information from United, Staff issued a
5 new Staff Report recommending approval of the application.

6 8. Staff stated that United has provided the financial statements for the year ending six
7 months ending June 30, 3000. These financial statements list assets of \$1.7 million, negative total
8 equity of \$4.7 million, and a net loss of \$591,323. Based on the foregoing, Staff believes that the
9 Applicant lacks sufficient financial resources to be allowed to charge customers any prepayments,
10 advances, or deposits without either establishing an escrow account or posting a surety bond to cover
11 such payments. However, United filed a letter on October 5, 1999, indicating that it does not charge
12 its customers for any prepayments, advances, or deposits.

13 9. Staff recommended approval of the application subject to the following:

14 (a) The Applicant should be ordered to comply with all Commission rules, orders,
15 and other requirements relevant to the provision of intrastate telecommunications
16 service;

17 (b) The Applicant should be ordered to maintain its accounts and records as
18 required by the Commission;

19 (c) The Applicant should be ordered to file with the Commission all financial and
20 other reports that the Commission may require, and in a form and at such times as the
21 Commission may designate;

22 (d) The Applicant should be ordered to maintain on file with the Commission all
23 current tariffs and rates, and any service standards that the Commission may require;

24 (e) The Applicant should be ordered to comply with the Commission's rules and
25 modify its tariffs to conform to these rules if it is determined that there is a conflict
26 between the Applicant's tariffs and the Commission's rules;

27 (f) The Applicant should be ordered to cooperate with Commission investigations
28 of customers complaints;

 (g) The Applicant should be ordered to participate in and contribute to a universal
service fund, as required by the Commission;

 (h) The Applicant should be ordered to file its tariffs within 30 days of an Order in

1 this matter, and in accordance with the Decision;

2 (i) If at some future date, the Applicant wants to charge any prepayments,
3 advances, or deposits, it must file information with the Commission that demonstrates
4 the Applicant's financial viability. Upon receipt of such filing, Staff will review the
5 information and the Commission will make a determination concerning the
6 Applicant's financial viability and whether customer prepayments, advances, or
7 deposits should be allowed;

8 (j) The Applicant's interexchange service offerings should be classified as
9 competitive pursuant to Commission rules;

10 (k) The rates proposed by the Applicant in its most recently filed tariffs should be
11 approved on an interim basis. The maximum rates for these services should be the
12 maximum rates proposed by the Applicant in its tariffs. The minimum rates for the
13 Applicant's competitive services should be the Applicant's total service long run
14 incremental costs of providing those services;

15 (l) In the event that the Applicant states only one rate in its proposed tariff for a
16 competitive service, the rate stated should be the effective (actual) price to be charged
17 for the service as well as the service's maximum rate; and,

18 (m) The Applicant should be ordered to notify the Commission immediately upon
19 changes to the Applicant's address or telephone number.

20 10. Staff further recommended approval of United's application subject to the following
21 conditions:

22 (a) That the Applicant file conforming tariffs within 30 days of an Order in this
23 matter, and in accordance with the Decision;

24 (b) That the Applicant file in this Docket, within 18 months of the date it first
25 provides service following certification, sufficient information for Staff
26 analysis and recommendation for a fair value finding, as well as for an analysis
27 and recommendation for permanent tariff approval. This information must
28 include, at a minimum, the following:

1. A dollar amount representing the total revenue for the first twelve months
of telecommunications service provided to Arizona customers by United
following certification, adjusted to reflect the maximum rates that the
Applicant has requested in its tariff. This adjusted total revenue figure
could be calculated as the number of units sold for all services offered
times the maximum charge per unit.

2. The total actual operating expenses for the first twelve months of
telecommunications service provided to Arizona customers by the
Applicant following certification.

- 1 3. The value of all assets, listed by major category, including a description of
2 the assets, used for the first twelve months of telecommunications services
3 provided to Arizona customers by the Applicant following certification.
4 Assets are not limited to plant and equipment. Items such as office
5 equipment and office supplies should be included in this list.

- 6 (c) United's failure to meet the condition to timely file sufficient information for a
7 fair value finding and analysis and recommendation of permanent tariffs shall
8 result in the expiration of the Certificate of Convenience and Necessity and of
9 the tariffs.

10 11. The Staff Report stated that Applicant has no market power and the reasonableness of
11 its rates would be evaluated in a market with numerous competitors.

12 12. On April 4, 2001, Applicant filed an update to its application including a toll free
13 customer service number and new address.

14 13. On May 9, 2001, United filed Affidavits of Publication indicating compliance with the
15 Commission's notice requirements.

16 14. On August 29, 2000, the Arizona Court issued its Opinion in US WEST
17 Communications, Inc. v. Arizona Corporation Commission, 1 CA-CV 98-0672, holding that "the
18 Arizona Constitution requires the Commission to determine fair value rate bases for all public service
19 corporations in Arizona prior to setting their rates and charges."

20 15. On October 26, 2000, the Commission filed a Petition for Review to the Supreme
21 Court.

22 16. On February 13, 2001, the Commission's Petition was granted.

23 CONCLUSIONS OF LAW

24 1. Applicant is a public service corporation within the meaning of Article XV of the
25 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

26 2. The Commission has jurisdiction over Applicant and the subject matter of the
27 application.

28 3. Notice of the application was given in accordance with the law.

 4. Applicant's provision of resold interexchange telecommunications services is in the
 public interest.

5. Applicant is a fit and proper entity to receive a Certificate for providing competitive resold interexchange telecommunications services in Arizona.

6. Staff's recommendations in Findings of Fact Nos. 9 and 10 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the application of United Services Telephone, LLC for a Certificate of Convenience and Necessity for authority to provide competitive resold interexchange telecommunications services, except local exchange services, shall be and the same is hereby granted, except that United Services Telephone, LLC shall not be authorized to charge customers any prepayments, advances, or deposits. In the future, if United Services Telephone, LLC desires to initiate such charges, it must file information with the Commission that demonstrates the Applicant's financial viability. Staff shall review the information provided and file its recommendation concerning financial viability and/or the necessity of obtaining a surety bond within thirty (30) days of receipt of the financial information, for Commission approval.

IT IS FURTHER ORDERED that United Services Telephone, LLC shall comply with the Staff recommendations set forth in Findings of Fact Nos. 9 and 10.

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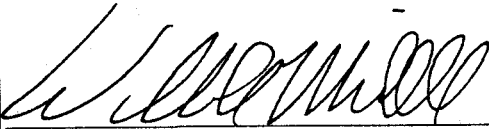
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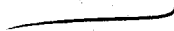
IT IS FURTHER ORDERED that within 30 days of the effective date of this Decision, United Services Telephone, LLC shall notify the Compliance Section of the Arizona Corporation Commission of the date that it will begin or has begun providing service to Arizona customers.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.



CHAIRMAN

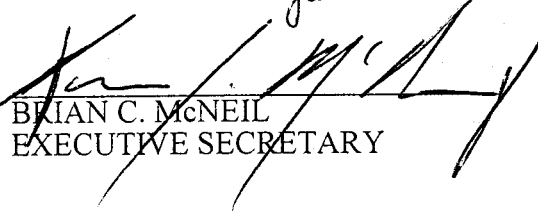


COMMISSIONER



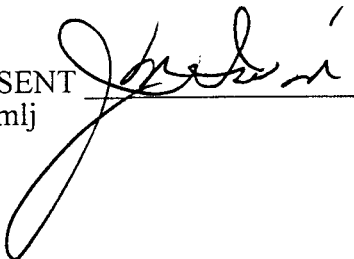
COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 6th day of August, 2001.



BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT
SG:mlj



1 SERVICE LIST FOR: UNITED SERVICES TELEPHONE, LLC

2 DOCKET NO.: T-03439A-97-0505

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